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## **Jobs Data Suggest U.S. Is in Recession**

**Largest Payroll Fall In Five Years Spurs New Stimulus Talk**

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U.S. employers shed 63,000 jobs last month, the most in five years, reinforcing a widening view that the U.S. is falling into recession. Among economists and politicians, the debate is shifting to how deep the downturn will be and how to ease it.

The jobs drop off came after the nation lost 22,000 jobs in January, the Labor Department said. In the past, such back-to-back monthly employment declines have occurred only around recessions.

### REAL TIME ECONOMICS

Coming amid continued turmoil in the financial and credit markets, the report sent stocks lower, with the Dow Jones Industrial Average falling 146.70 points Friday to close at 11,893.69. The index lost 3% for the full week.

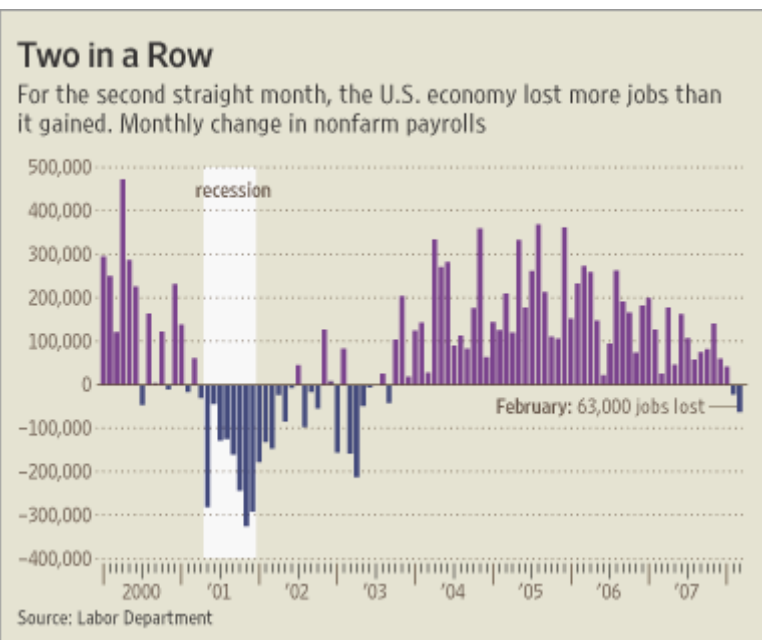
The big financial news of the day was that Thornburg Mortgage Inc., which has big holdings of mortgage-backed securities, warned it is at risk of going under. Carlyle Capital Corp., an Amsterdam-listed investment fund affiliated with private-equity giant Carlyle Group, reported a new wave of demands by lenders to put up more collateral.

Easing the worries slightly, the Federal Reserve said it is stepping up efforts to restore credit markets to health by injecting cash into money markets and making larger direct loans to banks.

The Fed's actions were an effort to bring down interest rates banks charge to one another and stabilize the market for mortgage-backed securities, whose falling prices have lowered the value of the collateral posted by firms that hold large quantities of them, such as Thornburg and Carlyle. As banks demand more collateral and the firms are forced to sell assets, prices fall further.

Roughly \$8 billion worth of bonds held by Thornburg were thrown on to the market in the past two days as the company struggled to raise cash and lenders liquidated its assets.

Before the employment report, many economists had said the labor market, while weakening, wasn't signaling that the economy was in a recession. Many changed their tune Friday, saying it's probable the U.S. economy, punished by falling home prices and troubles at financial institutions, is already in a recession.



Private-sector jobs fell by 101,000, the third straight month of declines. The February unemployment rate edged down to 4.8% from 4.9%, but only because some job-seekers quit looking for work.

"I believe we are facing the most serious...economic and financial stresses that the U.S. has faced in at least a generation -- and possibly much longer," Lawrence Summers, who was Treasury secretary during the Clinton administration, said Friday at a Stanford University conference. "We are in nearly unprecedented territory with respect to financial strain."

Edward Lazear, chairman of President Bush's Council of Economic Advisers, told reporters, "I'm still not saying that there is a recession," but "there is no denying that when you get negative job numbers, realistically the economy is less strong than we had hoped it would be."

## Economic Stimulus

Administration officials said they were confident conditions would improve as tax rebates that are part of the recent \$152 billion economic-stimulus law begin to reach consumers.

"I know this is a difficult time for our economy, but we recognized the problem early, and provided the economy with a booster shot," President Bush said at the White House. "We will begin to see the impact over the coming months."

The last two recessions, in 1990-91 and 2001, each lasted only eight months. "This is going to be our weakest quarter," said Mr. Lazear, predicting renewed growth by summer.

Democratic presidential candidates seized on the jobs report to contend that the Bush administration has botched its handling of the economy and that additional measures are needed.

Mr. Summers, a Democrat, said federal officials should begin planning now for more stimulus measures. He said state and local governments should consider buying foreclosed homes to rent them and look at ways to reduce the principal owed by mortgage borrowers to avoid foreclosures. He said the government may need to guarantee, for a fee, municipal bonds and student loans because distressed markets are making it tough for borrowers to find credit.

Fed Chairman Ben Bernanke has made a similar proposal on mortgages, urging some lenders to reduce the principal, or outstanding balance, on home loans.

The Fed is also expected to cut interest rates again to prop up the economy. Futures markets anticipate the Fed will cut its target for the federal-funds rate, charged on overnight loans between banks, by 0.75 percentage point from its current 3% when it meets March 18.

Fed officials, while agreeing on the need for easing, believe they have done a lot already and that cutting as deeply as markets expect could aggravate inflation concerns, perhaps through a weaker dollar. That suggests they would prefer a half-point cut. But weakening markets and economic data could force them to deliver the larger cut, as has happened in the past.

## **Every Sector**

The payroll declines hit just about every sector of the economy after being concentrated in housing-related areas for months. Manufacturing lost 52,000 jobs and construction payrolls fell by 39,000. Retail firms cut 34,000 positions and temporary jobs, often a barometer of businesses' hiring needs, fell by 28,000.

How much the economy continues to deteriorate remains uncertain. Corporate balance sheets are still relatively strong, and business inventories are already lean enough that they aren't expected to show the sharp declines that accompanied the 2001 recession.

At the same time, housing-price declines and rising energy costs are adding to the troubles in the job market and putting at risk consumer spending, which accounts for more than 70% of economic activity.

Economists at J.P. Morgan Chase & Co. said Friday that a recession has now begun, while predicting a rebound later in the year owing to lower interest rates, tax rebate checks and some relief from the credit stress and energy prices. But a recovery "feels an awfully long way off right now," said Bruce Kasman, the bank's chief economist.

A declaration of a 2008 recession, if one occurs, probably would not come before the summer. The National Bureau of Economic Research, the academic group that dates recessions, tends to wait until it can definitively mark the starting point of a contraction. The bureau announced the beginning of the last recession in March 2001 eight months after the fact -- by which point, it determined later, the recession was already over.

Harvard economist Benjamin Friedman, who served on the group's Business Cycle Dating Committee for 15 years including 1990-91, said recent data suggest an economic downturn in the making.

"What impresses me about the current situation is that there has been a steady stream of surprises, and every surprise is a disappointing one," he said.